

SC1940. SUBCHAPTER 1940PERFORMANCE MANAGEMENT
TABLE OF CONTENTS

| <u>SECTIONS</u> | <u>Page</u> |
|----------------------------------------------------|-------------|
| SC1940.1. PURPOSE..... | 2 |
| SC1940.2. APPLICABILITY..... | 2 |
| SC1940.3. DEFINITIONS..... | 3 |
| SC1940.4. GENERAL ROLES AND RESPONSIBILITIES..... | 3 |
| SC1940.5. SETTING PERFORMANCE EXPECTATIONS..... | 6 |
| SC1940.6. MONITORING PERFORMANCE..... | 10 |
| SC1940.7. DEVELOPING PERFORMANCE..... | 12 |
| SC1940.8. PERFORMANCE DEFICIENCIES | 12 |
| SC1940.9. END OF YEAR PERFORMANCE ASSESSMENTS..... | 14 |
| SC1940.10. RATING METHODOLOGY | 15 |
| SC1940.11. PAY POOL POLICIES AND PROCEDURES..... | 19 |
| SC1940.12. CHALLENGING THE RATING OF RECORD | 21 |

APPENDICES

| | |
|--------------------------------------------------------------------------------------------------------|----|
| AP1. Appendix 1, Performance Assessments and Pay Adjustments for Specially Situated Employees | 25 |
| AP2. Appendix 2, Definitions..... | 29 |
| AP3. Appendix 3, Rating Official Qualification..... | 33 |
| AP4. Appendix 4, Early Annual and Special Purpose Rating of Record..... | 34 |
| AP5. Appendix 5, Performance Indicators | |
| AP6. Appendix 6, Contributing Factors..... | |

TABLES

| | |
|-----------------------------------------------------------------------------|----|
| Table SC1940-1. Job Objective Rating Descriptors..... | 16 |
| Table SC1940-2. Contributing Factors Descriptors..... | 17 |
| Table SC1940-3. Converting Average Adjusted Rating to Rating of Record..... | 18 |

SC1940. SUBCHAPTER 1940
PERFORMANCE MANAGEMENT

REFERENCES:

- (a) Title 5, United States Code, "Government Organization and Employees"
- (b) Title 5, Code of Federal Regulations, "Administrative Personnel"

SC1940.1. PURPOSE

This subchapter implements the performance management policies under section 9902 of Reference (a) and Part 9901 of Reference (b); prescribes procedures, delegates authority and assigns responsibility for the NSPS performance management system. Policies regarding performance pay pool funding, and calculations related to performance payouts, are contained in SC1930.9. Heads of DoD Components with independent appointing authority may issue policy, procedures and guidance to supplement this subchapter, in so far as such policy, procedures and guidance are consistent with References (a) and (b), this subchapter and subsequent DoD issuances.

SC1940.1.1. NSPS is designed to promote a performance culture in which the performance and contributions of the DoD civilian workforce are more accurately and fully recognized and rewarded. The NSPS performance management system is an essential part of this design by providing a fair and equitable method for appraising and evaluating the performance of eligible employees.

SC1940.1.2. The execution of responsibilities and procedures in this subchapter and any supplemental guidance shall support and be consistent with merit system principles set forth in Chapter 23, of Reference (a).

SC1940.1.3. Waivers. Pursuant to section 9902 of Reference (a) and Part 9901 of Reference (b), the provisions of Chapter 43 of Reference (a) have been waived, thereby allowing supervisors and managers to adjust performance expectations in response to the Department's rapidly changing work environment, and to more effectively hold employees accountable for those general and/or assignment-specific performance expectations.

SC1940.2. APPLICABILITY

SC1940.2.1. This subchapter applies to the Office of the Secretary of Defense (OSD), the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities in the Department of Defense under NSPS (hereafter collectively referred to as the "DoD Components").

SC 1940.2.2. Coverage. The following employees and positions in DoD organizational and functional units are eligible for coverage under this subpart:

SC1940.2.2.1. Employees and positions that would otherwise be covered by Chapter 43 of Reference (a);

SC1940.2.2.2. Employees and positions that were excluded from Chapter 43 of Reference (a) by the Office of Personnel Management under Part 430.202(d) of Reference (b) prior to the date of coverage of this subchapter; and

SC1940.2.2.3. Such others designated by the Secretary under Section 9902 of Reference (a).

SC1940.2.3. Minimum Period of Performance. Unless otherwise excluded, this subchapter applies to employees who at a minimum have been, or are expected to be, employed in an NSPS position and performing under an approved NSPS performance plan for 90 days during the current appraisal period. Periods during which an employee is in a non-pay status (e.g., leave without pay, absence without leave) may not be applied toward the 90-day minimum. Policies addressing rating and rewarding employees in special circumstances are provided at Appendix 1, Performance Assessments and Pay Adjustments for Specially-Situated Employees.

SC1940.2.3.1. In the event there is a break in NSPS-covered service (e.g., due to job change, resignation), the service performed prior to the break may not be used to satisfy the 90-day minimum period described in SC1940.2.3.

SC1940.2.3.2. Employees who have performed the minimum period shall be issued a rating of record in accordance with the procedures prescribed by this subchapter.

SC1940.2.3.3. Except as provided at Appendix 1, employees who have not completed the minimum period of performance during the applicable appraisal period shall not be rated, and, therefore, shall not be eligible for a performance payout. In accordance with SC1940.11.3., employees who are not ratable because they have not or will not have performed the minimum period of service shall be advised that they are ineligible for the performance payout.

SC1940.3. DEFINITIONS. The definitions of key terms used in this Subchapter are at Appendix 2 and Part 9901 of Reference (b).

SC1940.4. GENERAL ROLES AND RESPONSIBILITIES. Performance management is a priority for supervisors, managers and employees at all levels. The success of leaders must be linked to the performance of subordinate supervisors and employees and full execution of performance management and pay-for-performance responsibilities and practices at all levels of the organization. Performance-based pay is the linkage between pay – base salary and/or lump-sum bonus – and measures of Department, organizational, team, and/or individual performance. The success of pay-for-performance policies

depends on performance planning, measurement, and management practices. All parties need to invest adequate time and effort throughout the rating cycle for training on and administration of performance management.

SC1940.4.1. Performance Review Authority (PRA). A PRA provides oversight of several pay pools, and addresses the consistency of performance management policies within a Component, Major Command, field activity or other organization as determined by the Component. DoD Components may provide additional guidance for the establishment of PRAs. The responsibilities of the PRA may be assigned to an individual management official or organizational unit or groups. PRA oversight responsibilities include application of DoD and Component NSPS policies pertaining to the operation of pay pools. PRA members may not participate in payout deliberations or decisions that directly impact their own ratings of record. PRA responsibilities are further described in SC1940.11.6.

SC1940.4.2. Pay Pool Managers. A pay pool manager is charged with the overall responsibility for the effective operation of the pay pool and for the distribution of funds in a manner consistent with DoD, Component and organization policies. The pay pool manager is the final approving official of the rating of record. Performance payout determinations may be subject to higher management review by the PRA or equivalent review process. Pay pool managers may not participate in payout deliberations or decisions regarding their own performance assessment or pay. Pay pool manager responsibilities are further described in SC1940.11.5.

SC1940.4.3. Pay Pool Panel. The pay pool panel is a board of management officials who are usually in positions of line authority or in senior staff positions with resource oversight for the organizations, groups or categories of employees comprising the pay pool membership. The primary function of the pay pool panel is the reconciliation of ratings of record, share distribution, and payout allocation decisions. Pay pool panel members may not participate in payout deliberations or decisions that directly impact their own performance assessment or pay. Pay pool panel composition and responsibilities are further described in SC1940.11.4.

SC1940.4.4. Supervisors.

SC1940.4.4.1. Supervisors are charged with the responsibility, and will be held accountable, for effectively managing the performance of assigned employees to include but not limited to:

SC1940.4.4.1.1. Executing the requirements of this subchapter in a manner consistent with merit system principles set forth in Chapter 23, of Reference (a);

SC1940.4.4.1.2. Ensuring employees are trained in the performance management system;

SC1940.4.4.1.3. Clearly communicating performance expectations and holding employees responsible for accomplishing them;

SC1940.4.4.1.4. Aligning performance expectations and employee development with organization mission and goals;

SC1940.4.4.1.5. Developing written job objectives reflective of expected accomplishments and contributions for the appraisal period and identifying applicable contributing factors;

SC1940.4.4.1.6. Explaining to employees that conduct will be considered when evaluating their performance, both conduct that would raise the level of the employee's performance and conduct that would lower that level;

SC1940.4.4.1.7. Providing employees meaningful, constructive, and candid feedback relative to performance expectations, including at least one documented interim review;

SC1940.4.4.1.8. Ensuring employees are aware of the opportunity to provide a self-assessment;

SC1940.4.4.1.9. Fostering and rewarding excellent performance;

SC1940.4.4.1.10. Addressing poor performance;

SC1940.4.4.1.11. Making meaningful distinctions among employees based on performance and contribution;

SC1940.4.4.1.12. Completing closeout assessments, early annual recommended ratings, and special purpose ratings, as appropriate;

SC1940.4.4.1.13. Assuring that eligible employees are assigned a rating of record as prescribed by this subchapter; and

SC1940.4.4.1.14. Forwarding recommended ratings of record, share assignments, and payout distributions to the pay pool.

SC1940.4.4.2. In order to recommend a rating of record for consideration by the pay pool panel, the supervisor must be adequately prepared through appropriate training in the basic elements of NSPS performance management. Requirements for rating official qualification are found in Appendix 3, Rating Official Qualifications.

SC1940.4.5. Employees. Employees are encouraged to:

SC1940.4.5.1. Engage in dialogue with supervisors to develop job objectives and identify associated contributing factors;

SC1940.4.5.2. Identify and record their accomplishments and results

throughout the appraisal period;

SC1940.4.5.3. Participate in interim reviews and the end-of-year assessments, including the self-assessment; and

SC1940.4.5.4. Understand the link between their performance expectations, conduct, and organization mission and goals.

SC1940.5. SETTING PERFORMANCE EXPECTATIONS

SC1940.5.1. Aligning Performance Expectations and Strategic Goals. Performance expectations shall support and align with the DoD mission and its strategic goals, organizational program and policy objectives, annual performance plans, and other measures of performance. The DoD mission and goals cascade to the organization, and resulting organization mission and goals are the basis for individual performance expectations.

SC1940.5.2. Performance Expectations.

SC1940.5.2.1. Performance expectations may include:

SC1940.5.2.1.1. Goals or objectives that set general or specific performance targets at the individual, team, and/or organizational level;

SC1940.5.2.1.2. Organizational, occupational, or other work requirements, such as standard operating procedures, operating instructions, manuals, internal rules and directives, and/or other instructions that are generally applicable and available to the employee;

SC1940.5.2.1.3. Competencies an employee is expected to demonstrate on the job, and/or the contributions an employee is expected to make;

SC1940.5.2.1.4. Conduct that can be expected to affect the value of the performance; and/or

SC1940.5.2.1.5. Behavioral expectations as described in SC1940.5.3.

SC1940.5.2.2. Particular work assignments or other instructions may be used to amplify performance expectations. These work assignments or instructions may specify the quality, quantity, accuracy, timeliness, or other expected characteristics of the completed assignment or some combination of such characteristics. Such assignments and instructions need not be in writing.

SC1940.5.3. Conduct and Behavior Affecting Performance.

SC1940.5.3.1. Performance expectations, even if not stated in a job objective, include the general behavioral expectations for all employees as stated in the Standards of

Ethical Conduct for Employees in the Executive Branch, and the DoD Joint Ethics Regulations, as well as any behavioral expectations or conduct specifically related to the local organization.

SC1940.5.3.2. Employees, managers, and supervisors are always accountable for demonstrating professionalism and standards of appropriate conduct and behavior which impact the performance of the individual, team, and/or organization.

SC1940.5.4. Communicating Performance Expectations. Communication between supervisors and employees is critical to the success of the performance management system; therefore, performance expectations and year-to-date progress should be the subject of several discussions throughout the year between supervisors and employees. In accordance with SC1940.6.4 and Part 9901 of Reference (b) at least one interim review is required.

SC1940.5.4.1. Performance expectations will be communicated to the employee in writing prior to holding the employee accountable for them. However, notwithstanding this requirement, employees are always accountable for demonstrating professionalism and standards of appropriate conduct and behavior, such as civility and respect for others.

SC1940.5.4.2. Supervisors and employees should have meaningful dialogue on performance expectations, including but not limited to:

SC1940.5.4.3. Job objective(s) and performance indicator(s) appropriate for the pay band and current salary to which the employee is assigned and how they relate to organizational mission and goals;

SC1940.5.4.4. Selected contributing factors and how these relate to the accomplishment of the job objective(s);

SC1940.5.4.5. Weight of each job objective, if applicable;

SC1940.5.4.6. Examples of how the supervisor expects the employee to exhibit contributing factors in the execution of assigned duties and how these factors could modify ratings on the job objective;

SC1940.5.4.7. Measures of job objective accomplishment (quantitative, qualitative, timeliness); and

SC1940.5.4.8. Developmental expectations.

SC1940.5.5. Adjustment of Expectations During the Appraisal Period. Performance expectations should be reviewed regularly. When adjusting performance expectations, supervisors and employees must follow the requirements for planning, communicating, monitoring, and assessing expectations established in this subchapter.

SC1940.5.6. Performance Plans. Every eligible employee shall be issued a performance plan containing the employee's major job objectives and associated contributing factors. Performance plans shall be documented on the official DoD NSPS performance form.

SC1940.5.6.1. Performance plans shall be in place and communicated to the employee within 30 days from the start of the rating cycle, entrance on duty of a new employee, or employee job change. The 30-day requirement may be extended up to an additional 60 days. Such extension shall not impact or delay the payout effective date.

SC1940.5.6.2. The performance plan is subject to higher-level review to ensure consistency and fairness within and across organizations. The performance plan is considered to be approved after higher-level review and the supervisor has communicated the plan to the employee in writing. The supervisor shall record the employee's receipt of the performance plan and the manner in which it was provided(face-to-face, telephone, etc.) to the employee on the official DoD NSPS performance form.

SC1940.5.7. Job Objectives and Contributing Factors. Performance expectations in the form of job objectives and contributing factors shall be described in the performance plan for each eligible employee. Supervisors are encouraged to involve employees in the development of their job objectives and the identification of applicable contributing factors. Normally, this process will include at least one face-to-face discussion between supervisors and employees. Final decisions regarding performance expectations, including job objectives and associated contributing factors, are within the sole and exclusive discretion of management.

SC1940.5.7.1. Each eligible employee shall be assigned at least one and generally three to five job objectives. These job objectives shall be commensurate with duties and responsibilities assigned to the employee and the salary paid to that employee. Job objectives may be weighted to reflect relative priority of the objectives included in the performance plan. No job objective may be weighted less than 10 percent. Weighted job objectives must total 100 percent.

SC1940.5.7.2. Adding Job Objectives. When new job objectives are assigned (e.g., due to a job change, additional duties, promotion, etc.), job objectives must communicate that portion of a major performance expectation that can be accomplished within the time remaining in the appraisal period.

SC1940.5.7.3. Mandatory Job Objective(s) for Supervisors. A supervisor's performance plan, including performance plans for supervisors under an NSPS performance system who supervise employees under a non-NSPS system, shall include at least one supervisory job objective. This job objective may require accountability for the effective administration of NSPS (if applicable), EEO, and/or other Component-specific requirements. Applicable policies for which supervisors will be held accountable include, but are not limited to, those documented in this subchapter and supplemental guidance issued by DoD and/or Components as well as those in other laws or regulations.

SC1940.5.7.4. A mandatory job objective will hold supervisors accountable for carrying out the responsibilities outlined in the implementing issuances and subsequent Component policy and guidance, including but not limited to:

SC1940.5.7.4.1. Clearly communicating performance expectations and holding employees responsible for accomplishing them;

SC1940.5.7.4.2. Making meaningful distinctions among employees based on performance and contribution;

SC1940.5.7.4.3. Fostering and rewarding excellent performance;

SC1940.5.7.4.4. Addressing poor performance;

SC1940.5.7.4.5. Assuring that employees are assigned a rating of record when required by implementing issuances;

SC1940.5.7.4.6. Adhering to laws and regulations concerning merit system principles and prohibited personnel practices; and

SC1940.5.7.4.7. Ensures continuing application of, and compliance with, EEO laws, regulations and policy.

SC1940.5.7.5. Applicable contributing factors that reflect the manner of performance important for the accomplishment of the job objective, as listed in SC1940.5.7.5.1., shall be selected for each job objective. Selection of contributing factors is based on identifying the manner of performance that will significantly contribute to the accomplishment of the job objective. Actions, attitude, manner of completion, and/or conduct or professional demeanor as they positively or negatively impact individual or organizational performance may be aspects of an employee's performance that are assessed within the appraisal period.

SC1940.5.7.5.1. The NSPS contributing factors are:

SC1940.5.7.5.1.1. Technical Proficiency

SC1940.5.7.5.1.2. Critical Thinking

SC1940.5.7.5.1.3. Cooperation and Teamwork

SC1940.5.7.5.1.4. Communication

SC1940.5.7.5.1.5. Customer Focus

SC1940.5.7.5.1.6. Resource Management

SC1940.5.7.5.1.7. Leadership

SC1940.5.7.5.2. Criteria for Selection of Contributing Factors. When selecting the contributing factors for each job objective, the supervisor should only select those that add sufficient assessment information to impact a particular job objective and reflect the manner of performance important for the accomplishment of the job objective rather than the strengths or weaknesses of the employee performing the job. Generally, no more than three contributing factors should be identified for each job objective. Employees in the same organization (e.g., work unit, pay pool) with similar job objectives and base salary should be assigned similar contributing factors, as appropriate.

SC1940.5.7.5.2.1. The “leadership” contributing factor must be selected for the supervisory job objective described in SC1940.5.7.3. This contributing factor may be selected for a supervisor’s other job objectives, as appropriate.

SC1940.5.7.5.2.2. The “leadership” contributing factor may be assigned to any employee who is responsible for directing work and developing other employees.

SC1940.6. MONITORING PERFORMANCE

SC1940.6.1. As part of monitoring employee performance, supervisors are expected to:

SC1940.6.1.1. Engage in dialogue with the employee concerning performance;

SC1940.6.1.2. Hold one or more interim reviews with each employee;

SC1940.6.1.3. Maintain performance information;

SC1940.6.1.4. Update job objectives if they change;

SC1940.6.1.5. Anticipate and address performance deficiencies; and

SC1940.6.1.6. Reinforce effective behavior.

SC1940.6.2. Properly monitoring performance enables supervisors to identify, address, and resolve performance deficiencies during the appraisal cycle. A Level 1 rating of record does not need to be formally assigned to the employee in order to address a performance deficiency.

SC1940.6.3. Dialogue and Feedback.

SC1940.6.3.1. Supervisors will provide on-going (i.e., regular and timely) feedback in the form of meaningful dialogue with employees regarding their performance. Face-to-face is the preferred method of supervisory/employee dialogue for

performance-based issues. Although supervisors have the primary responsibility for providing employees feedback, employees share the responsibility of identifying and communicating successes and difficulties relative to their assigned performance expectations.

SC1940.6.3.2. Employees may request periodic feedback and dialogue regarding their own performance. To the extent practicable, supervisors will accommodate such requests.

SC1940.6.4. Interim Reviews. While ongoing informal dialogue and feedback are essential throughout the rating cycle, one or more formal interim performance reviews shall be held between supervisors and employees. At least one interim performance review shall be prepared and documented during the appraisal period.

SC1940.6.4.1. A formal interim review shall acknowledge achievements and suggest areas for improvement, and provide meaningful dialogue and exchange of concerns. Developmental suggestions also may be provided to the employee, as appropriate.

SC1940.6.4.2. The employee shall be provided with a copy of the interim review. Supervisors shall record the employee's receipt of the interim review and the manner in which the review was communicated (face-to-face, telephone, etc.).

SC1940.6.4.3. Normally, the immediate supervisor will accomplish the interim review. To the extent practicable, if the immediate supervisor is unable to accomplish the interim review, he or she shall provide meaningful input to the manager responsible for accomplishing the review.

SC1940.6.5. Closeout Assessment. A supervisor shall complete a brief narrative description of employee performance, accomplishments and contributions during the current appraisal period when it is known that the supervisor will cease to exercise duties related to monitoring, developing and rating employee performance (due to job change, extended absence, retirement etc.) for such employees. This condition may result from a job change by the supervisor or the employee.

SC1940.6.5.1. A supervisor shall prepare a closeout assessment for an employee when it is known that the employee will change positions resulting in a new supervisor. Additionally, a supervisor shall prepare a closeout assessment, as needed, for employees on details or other previously occupied positions, as input for an employee's rating of record (See Appendix 1).

SC1940.6.5.2. A closeout assessment is only required if an employee has been assigned to a specific supervisor and has been on an approved performance plan for more than 30 consecutive days. This is a minimum requirement, and Components may define additional requirements.

SC1940.6.5.3. Closeout assessments will be accomplished in a timely manner and shall be considered by the appropriate rating official when determining the recommended rating of record, share assignment, and payout distribution.

SC1940.6.5.4. A closeout assessment for an employee that was prepared during the most recent appraisal period shall be available for review by the following:

SC1940.6.5.4.1. the employee;

SC1940.6.5.4.2. the employee's supervisor (or rater, if different); and

SC1940.6.5.4.3. responsible pay pool panel and pay pool manager.

SC1940.7. DEVELOPING PERFORMANCE

SC1940.7.1. Employee Development. Developing performance is integrated with the performance management process. Along with meaningful performance-related discussions that assist the employee in reinforcing strengths and correcting weaknesses, employee development opportunities should be discussed.

SC1940.7.2. Contributing factors may serve as the basis for assessing, and provide the framework for discussing, employee developmental needs.

SC1940.7.3. Supervisors should discuss and encourage employees to seek professional and technical development opportunities to further enhance their contribution to the organization's mission and goals, as appropriate. Employee development opportunities may include classroom training, on-the-job training, mentoring, special assignments, details/reassignments, group performance meetings, process improvement teams, and self-development activities.

SC1940.8. PERFORMANCE DEFICIENCIES

SC1940.8.1. Any time management determines an employee is failing to meet expectations, management must take steps to promptly address the employee's unacceptable performance.

SC1940.8.2. Any time an employee is performing at an unacceptable level, including the proposed assignment of a Level 1 rating of record, timely and appropriate management action is critical. An adverse action may be taken independent of the processes and/or procedures for appraising and rating performance under SC1940.10. and pay pool procedures under SC1940.11.

SC1940.8.3. Determine and Clearly Define Unacceptable Performance. When addressing unacceptable performance, the supervisor shall identify and communicate to the employee the specific performance expectation(s) that require improvement.

SC1940.8.3.1. Consideration of Circumstances. When determining what corrective action to take to address unacceptable performance, supervisors will take into account the circumstances, including the nature and gravity of the unacceptable performance and its consequences. Supervisors may also take into account knowledge deficiencies, as applicable.

SC1940.8.3.2. Range of Options to Address Unacceptable Performance. Supervisors will address unacceptable performance with one or more remedial, corrective actions that address the problem. Supervisors should consider the broad range of options available to address unacceptable performance which includes, but is not limited to, the following:

SC1940.8.3.2.1. remedial training,

SC1940.8.3.2.2. an improvement period,

SC1940.8.3.2.3. a reassignment,

SC1940.8.3.2.4. an oral or written warning,

SC1940.8.3.2.5. a letter of counseling,

SC1940.8.3.2.6. a written reprimand, and/or

SC1940.8.3.2.7. adverse actions.

SC1940.8.4. Although there is no requirement for the establishment of a formal performance improvement period before management may initiate an adverse action, supervisors should consider this intervention. Adverse action may be taken independent of the processes and/or procedures for appraising and rating performance under SC1940.10. and pay pool procedures under SC1940.11.

SC1940.8.4.1. Standard and Procedures for Adverse Action. Under Reference (a), adverse actions may only be taken for such cause as will promote the efficiency of the service. Adverse actions shall be taken in accordance with appropriate adverse actions procedures.

SC1940.8.4.2. Reduction in Rate of Pay/Pay Band by Adverse Action. A reduction in an employee's base salary and/or pay band may be initiated and made effective at any time through adverse action procedures based on a determination of unacceptable performance.

SC1940.8.4.3. An adverse action may be taken to assign an employee to a position in a lower pay band and/or reduce an employee's base salary. Pay setting resulting from such reductions shall be determined in accordance with sections 9901.343, 9901.352, and 9901.354 of Reference (b) and SC1930. When an employee's base salary

is reduced for unacceptable performance and/or conduct, the reduction in the employee's rate of pay may not be more than 10 percent, unless a larger reduction is needed to place the employee at the maximum rate of the lower band. An employee's annual base salary may not be reduced more than once in a 12-month period based on unacceptable performance, conduct, or both.

SC1940.8.4.4. Impact of Misconduct on Performance.

SC1940.8.4.4.1. If an employee engages in work-related misconduct and the nature and severity of that misconduct have an impact on the execution of his or her duties, that of the team, and/or that of the organization, the impact may be reflected in the employee's rating of record. The impact of misconduct on the employee's rating of record will depend on its seriousness, negative effect on coworkers, customers, or mission, evidence of correction, and any other relevant matters.

SC1940.8.4.4.2. The fact that misconduct may impact the employee's rating of record at the conclusion of the appraisal period should not be the basis for delaying corrective action, including initiating an adverse action under Reference (a).

SC1940.9. END OF YEAR PERFORMANCE ASSESSMENTS

SC1940.9.1. An integral part of the performance management process is the supervisory assessment of performance relative to job objectives, including the impact of selected contributing factors. This written assessment captures the employee's accomplishments or lack thereof, if applicable, during the appraisal period and informs the rating process. Assessing performance involves evaluating employee performance relative to communicated performance expectations, including job objectives and contributing factors, for the appraisal period.

SC1940.9.2. Employee Self-Assessment.

SC1940.9.2.1. Employees are encouraged to provide a self-assessment for each job objective covering their performance and contributions to the organization for the current appraisal period. Employee self-assessments should describe accomplishments relative to performance expectations, including job objectives and associated contributing factors, organizational mission and goals, team goals, etc. The input will assist the rating official in evaluating more fully the employee's performance results. While entirely voluntary, it is recommended that the employee complete the self-assessment narrative. The employee's perspective will better inform the rater of performance and contribution and thereby may impact the recommended rating and payout.

SC1940.9.2.2. To facilitate completion of this self assessment, employees are encouraged to maintain a personal record of their accomplishments, achievements and performance throughout the appraisal period.

SC1940.9.3. Supervisory Assessment of Employees. The supervisor (or rating official, if different) must prepare a narrative assessment for each eligible employee. Supervisors will provide a narrative assessment addressing each job objective describing the employee's accomplishments and contributions to the organization relative to his or her performance expectations, including an assessment of each job objective and associated contributing factors.

SC1940.9.3.1. If the supervisor (or rating official, if different) has limited direct knowledge of the employee's performance, care should be taken to gather applicable facts (e.g., work products, closeout assessments, productivity metrics, customer feedback) to inform the recommended rating of record.

SC1940.9.3.2. Any time after an employee has completed the minimum period and the supervisor-employee reporting relationship/assignment changes, the supervisor shall provide a closeout assessment in accordance with the procedures in SC1940.6.5. If such change occurs within 90 days of the end of the appraisal period, the supervisor shall complete an early annual recommended rating of record in accordance with Appendix 4, Early Annual and Special Purpose Ratings of Record. Exceptions, as determined by the pay pool manager, may be allowed based on individual circumstances.

SC1940.9.3.3. If an employee has not met the minimum period of performance by the end of the standard appraisal period, management has the discretion to extend the appraisal period. Such extensions shall not affect the payout effective date.

SC1940.10. RATING METHODOLOGY

SC1940.10.1. The method of assessing an employee's performance involves assigning a rating to the individual job objectives, adjusting this rating based on impact (if any) of the associated contributing factors, and averaging the adjusted ratings to arrive at the recommended rating of record. Each of these steps is outlined in this section.

SC1940.10.2. A rating of record may not be lowered based solely on an approved employee absence from work, including the absence of a disabled veteran to seek medical treatment.

SC1940.10.3. Job Objectives. Each job objective is evaluated based on the employee's accomplishments relative to the employee's stated objectives and measures and the application of the appropriate performance indicators for the employee's pay band. A supervisor (or rating official, if different) shall assign a job objective rating (1 to 5) to each job objective in accordance with the guidance in this subchapter, its appendices, and supporting Component policies.

SC1940.10.3.1. Based on an employee's accomplishments on each job objective and using the performance indicators (see Appendix 5, Performance Indicators), the supervisor shall assign a job objective rating (a single numerical score from 1 to 5, expressed as a whole number) to each job objective. As performance indicators are not

provided for Levels 1, 2, and 4, the supervisor will determine the job objective rating using the achievement of the job objectives, the performance indicators provided, and the job objective rating descriptors. (See Table SC1940-1.)

SC1940.10.3.2. When rating job objectives, a supervisor must consider all applicable performance and conduct information, including, but not limited to, employee and closeout assessments that apply to the current appraisal period.

Table SC1940-1. Job Objective Rating Descriptors

| JOB OBJECTIVE RATING | DESCRIPTORS |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | |
| 5 | Employee exceeded the assigned job objective at a level of performance equal to, or above, the Level 5 performance indicator. |
| 4 | Employee exceeded the assigned job objective at a level of performance above the Level 3 indicator but below the Level 5 performance indicator. |
| 3 | Employee met the assigned job objective at a level of performance equal to the Level 3 indicator. |
| 2 | Employee met the assigned job objective at a level of performance below the Level 3 indicator level or needed guidance and assistance beyond that described in the Level 3 indicator. |
| 1 | Employee failed to achieve the assigned job objective or failed in the performance of a single assignment where such failure had a significant negative impact on accomplishment of the mission or where a single failure resulted in or could result in death, injury, breach of security, or great monetary loss. |
| NR | Employee did not have an opportunity to perform the job objective because it became obsolete or could not be accomplished due to extenuating circumstances. |

SC1940.10.3.3. The result of this process is recorded as the job objective rating. An objective rating of 1 on any individual job objective results in an overall Level 1 recommended rating of record.

SC1940.10.4. Contributing Factors. The contributing factors are sets of work behaviors that are related to and impact the performance of a job objective. The contributing factors and their impact on the accomplishment of the job objective are evaluated using benchmark descriptors appropriate for the employee's pay schedule and pay band. (See Appendix 6) These benchmarks are described at the "Expected" performance and "Enhanced" performance levels for each contributing factor. Job objective ratings can be adjusted by 1 based on the supervisor's assessment of the contributing factors.

SC1940.10.4.1. If a job objective is scored at Level 2, the contributing factors cannot be used to lower the job objective rating to a Level 1. If a job objective is rated at Level 1, the contributing factors cannot be used to raise the job objective rating to Level 2.

SC1940.10.4.2. Each eligible employee's performance on a job objective shall be assessed using the selected contributing factor(s) and the applicable benchmark descriptors. When assessing the contributing factors, supervisors should consider the selected factors as a whole, or in the aggregate, as they apply to the job objective.

SC1940.10.5. Contributing Factor Assessment.

SC1940.10.5.1. Job objective ratings may be adjusted only by a total of 1 point based on the assessment of the contributing factors. Based on the supervisor's overall assessment of the selected contributing factor(s), the supervisor shall determine their influence on the associated job objective and indicate whether they increase the job objective rating by a factor of 1, decrease the rating by a factor of 1, or have no effect (0). The assessment of the contributing factors shall be reflected in accordance with the information in Table SC1940-2.

Table SC1940-2. Contributing Factor Descriptors

| CONTRIBUTING FACTOR IMPACT | DESCRIPTORS |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| +1 | In the execution/accomplishment of the assigned job objective, the employee demonstrated a manner of performance matching or exceeding the description provided in the Enhanced benchmark descriptor(s). |
| 0 (Neutral) | In the execution/accomplishment of the assigned job objective, the employee demonstrated a manner of performance matching or exceeding the description provided in the Expected benchmark descriptor(s) but below that described by the Enhanced benchmark descriptor(s). |
| -1 | In the execution/accomplishment of the assigned job objective, the employee demonstrated a manner of performance below the description provided in the Expected benchmark descriptor(s). |

SC1940.10.5.2. Adjusted Rating.

SC1940.10.5.2.1. The combination of the job objective rating and the contributing factor assessment (expressed as +1, 0, or -1) results in an adjusted rating for

each job objective. The adjusted ratings are averaged to obtain the overall average score. However, if a Level 1 has been assigned to any job objective, the overall recommended rating of record shall be a Level 1 regardless of the adjusted rating on any other job objective.

SC1940.10.5.2.2. If job objectives were weighted, the weights are applied to the adjusted rating. These weighted scores shall be added together to obtain the overall average score. Again, however, if a Level 1 has been assigned to any job objective, the overall recommended rating of record shall be a Level 1 regardless of the adjusted rating or weighting on any other job objective.

SC1940.10.6. Recommended Rating of Record.

SC1940.10.6.1. The recommended rating of record shall be the rounded average of the adjusted ratings. When the average is .51 or higher, the rating is rounded up to the next higher whole number. When the average is .50 or lower, the rating is rounded down to the next lower whole number. Any objective rated as “NR” is not counted when averaging ratings.

SC1940.10.6.2. The recommended rating of record is subject to higher level review.

SC1940.10.7. Rating of Record.

SC1940.10.7.1. The rating of record is communicated to employees in the form of a rounded score on a scale from 1 to 5 following the methodology outlined in this section. (See Table SC1940-3.)

Table SC1940-3. Converting Average Adjusted Rating to Rating of Record

| AVERAGE RATING RANGE | RATING OF RECORD | RATING OF RECORD DESCRIPTOR |
|-------------------------|---------------------|--------------------------------|
| 4.51 to 5.00 | 5 | Role Model |
| 3.51 to 4.50 | 4 | Exceeds Expectations |
| 2.51 to 3.50 | 3 | Valued Performer |
| 2.00 to 2.50 | 2 | Fair |
| 1 on any objective | 1 | Unacceptable |

SC1940.10.7.2. Upon completion of the pay pool process, the rating of record, share assignment, and payout distribution are communicated to the supervisor. The supervisor is then responsible for communicating this information to the employee. Because the rating of record is directly linked to pay and retention decisions (see SC1930 and SC1960), it is of utmost importance that employees receive an appropriate, fair, unbiased rating that reflects their performance and contribution. Forced distribution of ratings (setting pre-established limits for the percentage or number of ratings that may be assigned at any level) is prohibited.

SC1940.10.7.3. The standard effective date of the rating of record shall be January 1 of each year. Exceptions to the standard effective date (January 1) are permitted provided unique, unusual circumstances warrant the variation to the standard effective date. Such extensions must be pay pool-wide and may not be extended specifically to individual employees. The special purpose rating is an additional rating and becomes effective on the date the new rating is approved by the pay pool manager.

SC1940.10.8. Special Purpose Rating of Record. Subject to the procedures provided in Appendix 4, Early Annual and Special Purpose Ratings of Record, if the employee previously assigned a Level 1 rating of record improves his or her performance to an acceptable level (Levels 2 through 5) for a sustained period of time (not less than 90 days), the supervisor (or rating official, if different) shall recommend an additional rating of record to reflect the new level of performance. The special purpose rating of record does not provide for any retroactive or prospective change in pay.

SC1940.11. PAY POOL POLICIES AND PROCEDURES

SC1940.11.1. Pay Pool Composition. The membership of a pay pool is a group of employees who share in the distribution of a common pay-for-performance fund.

SC1940.11.1.1. Criteria to distinguish pay pools may include, but are not limited to, organization structure, employee job function, location, and/or organization mission. Pay pools will be established considering business needs. Pay pools must be established and managed in compliance with merit system principles and to prevent conflicts of interest.

SC1940.11.1.2. Sub-pay Pools. Where determined appropriate due to the size of the pay pool population, the complexity of the mission, the need to prevent conflicts of interest, or other similar criteria, sub-pay pool panels may be organized in a structure subordinate to the pay pool. Sub-pay pool panels normally operate under the same requirements and guidelines provided to the pay pools to which they belong.

SC1940.11.2. Notice to Employees.

SC1940.11.2.1. To the extent that the information does not compromise the procedural neutrality or the confidentiality of participants (e.g., employees, raters, reviewers, etc.), the following information shall be made available to employees. Preferably within the first 90 days of the appraisal period but not less than 90 days prior to the end of the appraisal period, pay pool members (i.e., workforce covered by that pay pool) will be advised of:

SC1940.11.2.1.1. Roles and responsibilities of the Performance Review Authority (PRA), the pay pool manager, and the pay pool panel;

SC1940.11.2.1.2. Identity or membership of the PRA, the pay pool manager, and the pay pool panel;

SC1940.11.2.1.3. Pay pool composition (organizations, functions, groups that describe the makeup of the pay pool);

SC1940.11.2.1.4. General pay pool policies; and

SC1940.11.2.1.5. Factors that may be considered in making specific share assignments and allocations between base salary and bonus.

SC1940.11.2.2. In addition to the items listed in SC1940.11.2.1., the estimated share value and notice that it is subject to change may be communicated to pay pool members.

SC1940.11.2.3. Prior to the effective date of the payout, supervisors (or rating official, if different) shall communicate to employees their approved rating of record, share assignment, and payout distribution.

SC1940.11.3. Employees who are first hired into an NSPS-covered position but who will not be rated because they will not have performed for the minimum period required under SC1940.2.3. before the last day of the appraisal period shall be advised that they are ineligible for the performance payout for the current appraisal period.

SC1940.11.4. Pay Pool Panel Composition and Responsibilities. In addition to the pay pool manager, pay pool panel membership usually includes senior management officials of the organizations or functions represented. Final determinations of pay pool panel membership shall be made by the pay pool manager in accordance with DoD and Component policies.

SC1940.11.4.1. The pay pool panel will review recommended ratings of record, share assignments, and/or payout distributions, and make adjustments, which in the panel's view would result in equity and consistency across the pay pool.

SC1940.11.4.2. If recommendations are changed by the panel, the new recommended ratings of record, share assignments, and/or payout distributions will be communicated back to the rating official along with the rationale for the change(s). The rating official will then be afforded the opportunity to provide further justification before the change(s) becomes final.

SC1940.11.5. Pay Pool Manager Responsibilities. In addition to providing oversight of the pay pool panel, pay pool managers are responsible for ensuring that:

SC1940.11.5.1. Supervisors and management officials tasked with recommending a rating of record, share assignment, and payout distribution for review at the pay pool panel have been adequately trained (See Appendix 3);

SC1940.11.5.2. Pay pool funds are distributed in compliance with SC1930

and DoD and Component financial management policies and based on employee performance and contributions;

SC1940.11.5.3. Communication and notification requirements specified in this subchapter are completed in a timely manner;

SC1940.11.5.4. Supervisors and rating officials comply with timely issuance of interim reviews, closeout assessments, and early recommended ratings of record;

SC1940.11.5.5. Data requested by DoD is provided; and

SC1940.11.5.6. Procedures and policies are exercised in a consistent manner throughout the pay pool process and comply with merit system principles.

SC1940.11.6. PRA Responsibilities. The PRA will oversee the operation of pay pools established under NSPS and ensure procedural and funding consistency among pay pools under its authority. The PRA is tasked with the following:

SC1940.11.6.1. Managing the civilian pay-for-performance budget and discretionary performance payout fund. (See SC1930, Appendix 4, Discretionary Performance Payouts);

SC1940.11.6.2. Addressing issues associated with multiple pay systems during the conversion to NSPS;

SC1940.11.6.3. Overseeing the composition of the pay pool in accordance with the established guidelines, this subchapter, and statutory constraints;

SC1940.11.6.4. Providing guidance to pay pool managers;

SC1940.11.6.5. Issuing estimated share value(s) and adjusting if necessary (may be delegated to pay pool manager);

SC1940.11.6.6. Managing the pay-for-performance reserve fund, if any;

SC1940.11.6.7. Monitoring and adjusting pay pool fund distribution;

SC1940.11.6.8. Overseeing publication of any Notices to Employees; and

SC1940.11.6.9. Deciding challenges to ratings of record.

SC1940.12. CHALLENGING THE RATING OF RECORD

SC1940.12.1. This section establishes the DoD reconsideration process for ratings of record under NSPS. The administrative reconsideration process described herein is the

sole and exclusive method for all non-bargaining unit employees to challenge their ratings of record. Bargaining unit employees may challenge a rating of record issued through either this administrative reconsideration process or under the terms of the negotiated grievance procedure (NGP), if applicable. Reconsideration decisions should be treated confidentially.

SC1940.12.2. Alternative Dispute Resolution. Alternative dispute resolution may be pursued at any time during the reconsideration process consistent with Component policies and procedures.

SC1940.12.3. Relationship to Compensation. In the event of a decision to adjust a rating of record, rate range adjustments, increases to local market supplement, and the payout amount and distribution should be reviewed for adjustment as appropriate. Any adjustment to salary shall be retroactive to the effective dates of the original payout. (See SC1940.12.4.12.) Decisions made through this process may not result in recalculation of the payout made to other employees in the pay pool.

SC1940.12.4. Procedures for Administrative Reconsideration.

SC1940.12.4.1. Within 10 calendar days of receipt of the rating of record, an employee seeking reconsideration of that rating must submit a written request for reconsideration to the pay pool manager with a copy to the rating official and the servicing human resources office (HRO).

SC1940.12.4.1.1. As long as the pay pool manager determines there is no conflict of interest, the employee may identify someone who has agreed to act as his/her representative to assist in pursuing the reconsideration request.

SC1940.12.4.1.2. The request for reconsideration must be in writing and may include a request for discussion with the pay pool manager. The request must include a copy of the rating being challenged, state what change is being requested and the basis for the change.

SC1940.12.4.2. Exclusions. Employees cannot challenge the following:

SC1940.12.4.2.1. A performance payout, number of performance shares assigned, value of performance shares, or distribution of payout between increase to base salary and bonus;

SC1940.12.4.2.2. A recommended rating of record;

SC1940.12.4.2.3. An interim review;

SC1940.12.4.2.4. A closeout assessment; or

SC1940.12.4.2.5. An individual objective rating or adjusted rating if the requested remedy shall not result in the recalculation of the rating of record.

SC1940.12.4.3. Allegations that a performance rating was based on prohibited discrimination, such as race, color, religion, sex, national origin, age, physical or mental disability, or reprisal may not be processed through the reconsideration process, but instead shall be processed through the Equal Employment Opportunity discrimination complaint procedure.

SC1940.12.4.4. Failure to comply with the procedures in this subpart may result in the pay pool manager issuing a written cancellation of the reconsideration request. A copy of the cancellation shall be furnished to the servicing HRO, the employee's rating official and the employee.

SC1940.12.4.5. The rating official shall review a copy of the reconsideration request and address the employee's concerns with the pay pool manager.

SC1940.12.4.6. The pay pool manager shall review the request and confer with the rating official and/or conduct further inquiry, as he or she deems appropriate.

SC1940.12.4.7. The employee may request an opportunity to personally address the pay pool manager and/or pay pool panel. The pay pool manager will decide whether such communication will be accomplished, as well as the date and time, location, and method of communication. To the extent practicable, such events will be held during the working hours of the employee.

SC1940.12.4.8. Within 15 calendar days of the pay pool manager's receipt of the employee's written request for reconsideration, the pay pool manager must render a written decision. The decision must include a brief explanation of the basis of the decision. A copy of the decision is provided to the servicing HRO, the rating official and the employee. The pay pool manager's decision is final, unless the employee seeks further reconsideration from the PRA.

SC1940.12.4.9. If the employee is dissatisfied with the pay pool manager's decision, or if none is provided within the prescribed timeframes, the employee may submit a written request for final review by the PRA or PRA designee within 5 calendar days of receipt of the pay pool manager's decision or within 5 calendar days of the date the decision should have been rendered.

SC1940.12.4.10. The PRA shall review the request and confer with the pay pool manager, or conduct further inquiry as he or she deems appropriate, before rendering a written decision to the employee within 15 calendar days of the receipt of the written request (to the PRA) from the employee. The decision of the PRA or PRA designee is final. A copy of the decision shall be provided to the servicing HRO, the pay pool manager, the rating official and the employee.

SC1940.12.4.11. The pay pool manager, PRA, or PRA designee may extend timeframes identified in SC1940.12.4.8. and SC1940.12.4.9. up to an additional 15 days with notification to the employee. Extensions of timeframes in excess of 15 days may be authorized by mutual agreement between the employee and the pay pool manager.

SC1940.12.4.12. If the final decision is to change the rating of record, the corrected appraisal shall take the place of the original one. A revised performance appraisal shall be prepared and entered into all appropriate records, and a copy shall be provided to the employee, the servicing HRO, and the rating official. The revised rating of record will be retroactive to the effective date of the original rating of record, normally January 1.

SC1940.12.4.13. When calculating time limits under the administrative reconsideration procedure, the day of an action or receipt of a document is not counted. The last day of the time limit is counted unless it is a Saturday, a Sunday, a legal holiday, or a day on which the employee is not regularly scheduled to work. In those cases, the last day of the time limit shall be moved to the employee's next regularly scheduled work day. All time limits are counted in calendar days.

SC1940.12.5. Procedures for Bargaining Unit Employees

SC1940.12.5.1. A bargaining unit employee may challenge a rating of record through a negotiated grievance procedure unless explicitly excluded from that process. If an employee is precluded from challenging a rating of record through a negotiated grievance procedure, the employee may use the reconsideration process outlined in SC1940.12.4. A bargaining unit employee may use these procedures so long as the rating of record has not been raised in connection with an appeal under the provisions of section 7701 of Reference (a) or other appropriate process and regulations for employees not covered by 7701 of Reference (a). Once an employee raises a rating of record issue in an appeal under section 7701 of Reference (a) or other appropriate process and regulations for employees not covered by 7701 of Reference (a), any pending grievance, arbitration, or request for administrative reconsideration under section 9901.409(h) of Reference (b) will be dismissed with prejudice.

SC1940.12.5.2. If the final decision in a grievance filed under a negotiated grievance process is to change the rating of record, a revised performance appraisal will be prepared and entered into all appropriate records, and a copy will be provided to the employee, the servicing HRO, and the rating official. The revised rating of record will be retroactive to the effective date of the original rating of record, normally January 1.

SC1940.AP1. APPENDIX 1 TO SUBCHAPTER 1940

PERFORMANCE ASSESSMENTS AND PAY ADJUSTMENTS FOR SPECIALLY
SITUATED EMPLOYEES

SC1940.AP1.1. Employees who are absent from civilian service to perform in the uniformed services in accordance with 38 U.S.C. 4303 and 5 CFR 353.102 and who are eligible for a rating for the current appraisal period. Eligible employees (those who have met the minimum performance period requirement, see SC1940.2.3.) who are performing qualifying uniformed service at the close of the appraisal period will participate in the rating and pay adjustment determination process under the requirements of this subchapter and SC1930 of Reference (a). The rating of record will be based on the performance and contributions made by the employee while in his or her civilian capacity and performing under an approved NSPS performance plan. NSPS performance management procedures described in this subchapter will be observed to the extent practicable. Subject to pay pool policies and procedures, the employee shall receive a final rating of record and pay adjustment determination consisting of the appropriate increase in base salary and/or bonus.

SC1940.AP1.2. Employees who are absent from civilian service to perform in the uniformed services in accordance with 38 U.S.C. 4303 and 5 CFR 353.102 and who have not completed the NSPS minimum period in the current appraisal period. For appraisal periods during which the employee did not complete the minimum period, performance pay adjustments shall be based on either the employee's last NSPS rating of record or the modal rating received by other employees covered by the same pay pool and pay band for the most recently completed appraisal period, whichever is most advantageous to the employee.

SC1940.AP1.2.1. If the employee had no rating of record at the time he or she left civilian service, the modal rating received by other employees covered by the same pay pool and pay band for the most recently completed appraisal period shall serve as the basis for performance pay decisions. If there is more than one modal rating, the highest one shall be used.

SC1940.AP1.2.1.1. If using a modal rating, the base salary rate shall be set prospectively using the average base salary adjustment received by employees who received the modal rating assigned under this rule.

SC1940.AP1.2.1.2. If using the employee's last rating of record is most advantageous, the employee's base salary rate shall be adjusted using the average base salary adjustment received by employees assigned the same rating of record in the same pay pool and pay band.

SC1940.AP1.2.2. There is no entitlement to retroactive payments for base salary adjustments or bonuses. Such employees also shall be credited with intervening rate

range adjustments in accordance with SC1930 of Reference (a). NSPS performance management procedures described in this subchapter and SC1930 of Reference (a) will be observed to the extent practicable.

SC1940.AP1.3. Employees who are absent at the end of the appraisal period due to a work-related injury and who are eligible for a payout. Eligible employees who are still on agency rolls at the end of the appraisal period but who are absent due to a work-related injury will be rated based on the work performed during the appraisal period, provided they have satisfied the minimum performance period (see SC1940.2.3.). The performance management procedures described in this subchapter and SC1930 of Reference (a) shall be observed to the extent practicable. Subject to pay pool panel reconciliation and pay pool policies and procedures, the employee shall receive a final rating of record and pay adjustment determination consisting of the appropriate increase in base salary and/or bonus.

SC1940.AP1.4. Eligible employees returning to duty after being in workers' compensation status for one or more appraisal periods. If the employee was in receipt of workers' compensation benefits under 5 U.S.C. Chapter 81 (including continuation of pay under section 8118 and wage-loss benefits under section 8105) for the entire appraisal period and/or did not complete the NSPS minimum period, he or she will not be eligible to receive a performance payout, although such employee is eligible for a prospective pay adjustment once they resume employment. Base salary shall be set prospectively for an employee who returns to duty after a period of receiving injury compensation under 5 U.S.C. Chapter 81, subchapter I (in a leave-without-pay status or as a separated employee). There is no entitlement to retroactive payments for base salary adjustments or bonuses.

SC1940.AP1.4.1. Performance pay adjustments shall be based on either the employee's last NSPS rating of record or the modal rating received by other employees covered by the same pay pool and pay band during the most recently completed appraisal period, whichever is most advantageous to the employee. If the employee had no rating at the time he or she left civilian service, the modal rating received by other employees covered by the same pay pool and pay band for the most recently completed appraisal period shall serve as the basis for performance pay decisions. If there is more than one modal rating, the highest one will be used.

SC1940.AP1.4.1.1. If using the employee's last rating of record is most advantageous, the employee's base salary rate shall be adjusted using the average base salary rate adjustment received by employees assigned the same rating of record in the same pay pool and band.

SC1940.AP1.4.1.2. If using a modal rating, the base salary rate shall be set prospectively using the average base salary adjustment received by employees who received the modal rating assigned under this rule.

SC1940.AP1.4.2. Such employees also will be credited with intervening rate range adjustments in accordance with SC1930.8.1.1.3. NSPS performance management procedures described in SC1940 shall be observed to the extent practicable.

SC1940.AP1.5. Upon return to an NSPS position, employees exercising statutory return rights in accordance with Title 10, Section 1586, or reemployment rights in accordance with 5 CFR, Part 352, paragraphs 352.205a, 352.314, 352.405, and 352.906, as applicable, shall have their base salary set at a rate that includes an adjustment that is not less than the average pay adjustment paid to employees with (1) the same rating of record as the employee's most recent NSPS rating of record, or (2) the modal rating for the same pay pool, pay schedule and pay band occupied by the employee immediately prior to the job change outside the United States, whichever is more advantageous to the employee. The pay setting computation will take into account such pay adjustments for each appraisal period during which the employee was performing civilian service covered by the provisions of Title 10, Section 1586 or 5 CFR, Part 352, paragraphs 352.205a, 352.314, 352.405, and 352.906, as applicable.

SC1940.AP1.6. Employees on temporary assignment. Policies established for setting and communicating performance expectations as described in SC1940 will be applied to the extent practicable. Generally, an employee on a short-term detail, temporary reassignment or temporary promotion during the appraisal period shall be assigned a recommended rating of record by the supervisor/rater of the permanent position. At the time of the temporary assignment, the employee, temporary (gaining) supervisor and supervisor of the permanent position shall jointly review the necessity to adjust previously assigned job objectives. The supervisor of the permanent position has final authority to determine and document the appropriate job objectives. Both supervisors will cooperate to ensure that the employee is provided meaningful feedback during the temporary assignment and is issued at least one formal interim review. The temporary supervisors shall complete a closeout assessment for employees who have been assigned to them for at least 30 days. In the case of long-term details, temporary reassignments or temporary promotions, it may be more appropriate for the temporary (gaining) supervisor to recommend the rating of record, share assignment and payout distribution for reconciliation by the appropriate pay pool panel.

SC1940AP1.6.1. To the extent practicable, the rater and pay pool panel will consider the closeout assessment provided by the supervisor of the temporary position for rating and payout recommendations.

SC1940AP1.6.2. As provided in SC1930.10.9. and SC1930.10.10, for calculation purposes the same proportional salary increase (if any) shall adjust the salary of the permanent position and the salary of the temporary position, if different than the permanent (e.g. if the employee's salary was increased due to a temporary promotion or reassignment).

SC1940.AP1.7. Employees performing union activities. Employees performing union-related activities ("official time") are subject to the policies prescribed in this subchapter

provided that such employees perform agency duties under established NSPS performance expectations for the minimum period as defined at SC1940.2.3. Periods of time when the employee is performing union-related business (e.g. official time) do not count toward the minimum period. Employees engaged in union-related activities (100% official time) such that they do not meet the condition above are not ratable based on their individual performance. Performance pay adjustments for such employees will be based on either the employee's last NSPS rating of record or the modal rating received by other employees covered by the same pay pool and pay band during the most recently completed appraisal period, whichever is most advantageous to the employee. If the employee has no NSPS rating of record, the modal rating received by other employees covered by the same pay pool and pay band for the most recently completed appraisal period shall serve as the basis for performance pay decisions. If there is more than one modal rating, the highest one will be used.

SC1940.AP1.7.1. If using the employee's last NSPS rating of record is most advantageous, the employee's base salary rate will be adjusted using the average base salary rate adjustment received by employees assigned the same rating of record in the same pay pool and pay band. If using a modal rating the base salary rate will be adjusted using the average base salary adjustment received by employees who received the modal rating assigned under this rule.

SC1940.AP1.7.2. Furthermore, such employees will be credited with rate range adjustments in accordance with SC1930.8.1.1.3. NSPS performance management procedures described in SC1940 will be observed to the extent practicable.

SC1940.AP1.8. Employees who have not performed for the minimum period due to administrative error. Employees who would have been eligible for a rating of record under this subchapter but for an administrative error shall be provided an extension to the appraisal period. The rating and payout procedures shall be consistent with the requirements of this subchapter and SC1930 to the maximum extent feasible. Such extension may not delay the effective date of the payout for either the individual employee or the pay pool.

SC1940.AP1.9. Employees who change jobs after the last day of the appraisal period and before the effective date of the payout. Employees who are eligible for a recommended rating of record and who change jobs so that they fall under the authority of a different PRA shall be evaluated and assigned a rating of record by the rating official, pay pool panel and pay pool manager of record on the last day (normally September 30) of the appraisal period. This rating shall be the basis for the payout. The payout will be calculated and paid based on the pay pool funding and share valuation of the gaining pay pool.

SC1940.AP2. APPENDIX 2 TO SUBCHAPTER 1940

DEFINITIONS

SC1940.AP2.1. Adjusted Rating. The numeric score resulting from the application of the contributing factor assessment to the employee's job objective rating.

SC1940.AP2.2. Appraisal Period. In accordance with 5 CFR 9901.404 of Reference (b), the established period of time during which performance will be monitored and assessed. Normally, the standard NSPS appraisal period will be October 1 through September 30 each year. During initial conversion into NSPS, organizations may be subject to an appraisal period other than the standard cycle. Additionally, the Secretary of Defense (or designee) may designate other periods as dictated by situation or circumstance.

SC1940.AP2.3. Base Salary. An employee's pay, as set by the authorized management official within the applicable pay band for the employee, before any deductions and exclusive of additional pay of any kind (e.g., local market supplement). For an employee receiving pay retention under SC1930.8.1.1.3.5, the base salary may exceed the maximum of the applicable pay band.

SC1940.AP2.4. Benchmark Descriptors. Common activities and behaviors associated with contributing factors that describe the manner in which a job objective is accomplished. They are used to evaluate the impact of how an employee achieves his/her job objective and are provided for contributing factors at the "Expected" and "Enhanced" levels for each pay schedule and pay band. (These are provided in Appendix 6, Contributing Factors.)

SC1940.AP2.5. Bonus. An element of the performance payout that consists of a one-time, lump-sum payment made to an employee. A bonus is not part of base salary.

SC1940.AP2.6. Closeout Assessment. A narrative description of an eligible employee's performance under an approved performance plan. The closeout assessment is completed by the supervisor or rating official and conveys information regarding the employee's progress toward the completion of job objectives. A closeout assessment is not a rating of record, but should be used to inform the rating official of employee accomplishments and/or needed improvement.

SC1940.AP2.7. Competencies. The measurable or observable knowledge, skills, abilities, behaviors, and other characteristics that an individual needs to perform a particular job or job function successfully.

SC1940.AP2.8. Contributing Factors. Attributes of job performance that are significant to the accomplishment of individual job objectives. Individual contributing factors, further defined by "work behaviors" and "benchmark descriptors," are standardized across DoD. (Contributing factors are listed in SC1940.5.7.1. and the benchmark descriptors are provided in Appendix 6)

SC1940.AP2.9. Contribution. A work product, service, output, or result provided or produced by an employee or group of employees that supports the Departmental or organizational mission, goals, or objectives.

SC1940.AP2.10. Early Annual Recommended Rating of Record. A recommended rating of record issued within 90 days before the end of the appraisal period.

SC1940.AP2.11. Eligible Employee. An employee who on the last day of the appraisal period has satisfied the minimum period of performance under an NSPS appraisal period and who meets coverage requirements at SC1940.2.2.

SC1940.AP2.12. Interim Review. An assessment describing an employee's year-to-date progress on performance expectations, including job objectives and associated contributing factors. At least one interim performance review shall be prepared and documented during the appraisal period.

SC1940.AP2.13. Job Objectives. An expression of performance expectations in the performance plan that is linked to the organization's goal(s) and mission(s). Job objectives are used to communicate major individual, team, and/or organizational responsibilities and/or contributions and the related outcomes and accomplishments that are expected of the employee during the appraisal period. Failure in a job objective shall result in an overall rating of unacceptable.

SC1940.AP2.14. Modal Rating. For the purpose of pay administration, the most frequent rating of record assigned to employees in the same pay band within a particular pay pool for a particular rating cycle.

SC1940.AP2.15. Pay Pool. The organizational elements/units or other categories of employees that are combined for the purpose of determining performance payouts. Each employee is in only one pay pool at a time. Pay pool also means the amount designated for performance payouts to employees covered by a pay pool.

SC1940.AP2.16. Pay Pool Manager. The individual designated to manage the pay pool, resolve discrepancies, and ensure consistency.

SC1940.AP2.17. Pay Pool Panel. Usually senior management officials, including the pay pool manager, of the organizations or functions represented in the pay pool that assist the pay pool manager in the exercise of his/her responsibilities.

SC1940.AP2.18. Performance. The accomplishment of work assignments or responsibilities and the contributions to achieving organizational goals, including an employee's behavior and professional demeanor (actions, attitude, manner of performance) as demonstrated by his or her approach to completing work assignments.

SC1940.AP2.19. Performance-Based Pay Increase. An element of the performance payout that consists of an increase to an employee's base salary; also known as "performance pay increase."

SC1940.AP2.20. Performance Expectations. The duties, responsibilities, and competencies required by, or objectives associated with, an employee's position and the contributions and demonstrated competencies that management expects of an employee, as described in Part 9901.406(d) of Reference (b).

SC1940.AP2.21. Performance Indicators. General descriptions of levels or thresholds of employee performance used to measure, evaluate, and score an employee's achievement of his/her job objective(s). The performance indicators are provided at Level 3 and Level 5 for each pay schedule and pay band. (These are provided in Appendix 5, Performance Indicators.)

SC1940.AP2.22. Performance Management. Applying the integrated processes of setting and communicating performance expectations, monitoring performance and providing feedback, developing performance and addressing poor performance, and rating and rewarding performance in support of the organization's goals and objectives.

SC1940.AP2.23. Performance Management System. The policies and requirements for setting and communicating employee performance expectations, monitoring performance and providing feedback, developing performance and addressing poor performance, and rating and rewarding performance. The performance management system will address the elements set forth in section 9901.401 of Reference (b).

SC1940.AP2.24. Performance Review Authority. A senior management official or an organizational unit or group that manages and oversees the payout process, payout funds and pay pool decisions.

SC1940.AP2.25. Performance Payout. The total monetary value of a performance pay increase and bonus provided under section 9901.342 of Reference (b) and SC1930.

SC1940.AP2.26. Performance Plan. A written or electronic document that contains at least one, and generally three to five, job objective(s) and associated contributing factor(s) for each job objective.

SC1940.AP2.27. Performance Share. A unit of performance payout awarded to an employee based on performance.

SC1940.AP2.28. Rating Official. A representative of management, usually the immediate supervisor, who is approved by the pay pool manager to evaluate and assess employee performance and recommend a rating of record for review by the pay pool panel.

SC1940.AP2.29. Rating of Record. A performance appraisal prepared (1) at the end of an appraisal period covering an employee's performance of assigned duties against performance expectations over the applicable period, or (2) as needed to reflect a substantial and sustained change in the employee's performance since the last rating of record as provided in this subchapter.

SC1940.AP2.30. Self-Assessment. An employee's narrative description of his/her year-to-date accomplishments related to his/her job objectives and the associated contributing factors.

SC1940.AP2.31. Unacceptable Performance. Performance of an employee which fails to meet one or more performance expectations, as amplified through work assignments or other instructions, for which the employee is held individually accountable.

SC1940.AP2.32. Work Behaviors. Activities and skills related to a contributing factor that describe how performance is exhibited on the job. (These are described in Appendix 6).

SC1940.AP3. APPENDIX 3 TO SUBCHAPTER 1940

RATING OFFICIAL QUALIFICATIONS

SC1940.AP3.1. Qualified Rating Official. Only management officials will be permitted to recommend a rating of record for NSPS payout purposes to the pay pool for consideration. Pay pool managers will authorize in writing that each rating official meets identified standards, with a copy provided to the rating official and servicing human resource office. Normally, the immediate supervisor issues the recommended rating of record. If the immediate supervisor is not qualified to render a recommended rating, the responsibility will be assigned to a management official who has been authorized by the pay pool manager. To maintain rating official qualification status, rating officials are, at a minimum, required to:

SC1940.AP3.1.1. Link employees' job objectives to the organization's mission and goal(s);

SC1940.AP3.1.2. Make meaningful distinctions in performance levels as appropriate and appraise employees realistically;

SC1940.AP3.1.3. Document job objectives and associated contributing factors for their employees;

SC1940.AP3.1.4. Conduct interim reviews with their employees;

SC1940.AP3.1.5. Adequately deal with employees' performance deficiencies in a timely manner; and

SC1940.AP3.1.6. Be prepared to discuss employees' performance and contributions at a pay pool review.

SC1940.AP4. APPENDIX 4 TO SUBCHAPTER 1940

EARLY ANNUAL AND SPECIAL PURPOSE RATINGS OF RECORD

SC1940.AP4.1. Early Annual Recommended Rating of Record. An early annual recommended rating of record shall be issued when: (1) the supervisor (or rating official, if different) ceases to exercise the duties relative to monitoring, developing, and rating employee performance within 90 days before the end of the appraisal period or (2) the employee is reassigned, promoted, or demoted within NSPS resulting in the assignment of a new rating official within 90 days before the end of the appraisal period. The pay pool manager may allow exceptions to this policy based on individual circumstances.

SC1940.AP4.1.1. In these situations, the departing or "losing" supervisor (or rating official, if different) shall assess employee performance and contribution in accordance with SC1940 and shall recommend a rating of record, share assignment, and payout distribution. This recommendation will go to the pay pool panel to which the employee is assigned at the close of the appraisal period for reconciliation. The "new" supervisor (or rating official, if different) may add comments to the record in support of, or in disagreement with, the recommended rating of record for consideration by the pay pool panel.

SC1940.AP4.1.2. The period of time between the date of the event that triggered the early annual recommended rating of record and the normal end of the rating cycle shall be carried forward into the next appraisal period. For instance, an employee is promoted 60 days before the end of regular appraisal period. The supervisor shall prepare an early annual recommended rating of record as of that date which, when reviewed, reconciled, and approved by the pay pool panel, shall be the employee's rating of record. The 60 days that were not covered or rated by the early recommended rating of record shall be appended to the new performance year, making it 14 months in length, and shall be assessed and rated at the normal end of the new appraisal period.

SC1940.AP4.2. Special Purpose Rating of Record. The special purpose rating may only be applied in the case of an employee with a Level 1 rating of record who exhibits significant and sustained improvement (not less than 90 days) in his or her performance that equates to Level 2 performance or higher. A special purpose rating of record may be assigned during the appraisal period in addition to the regularly completed rating of record.

SC1940.AP4.2.1. The assignment of a special purpose rating of record has no impact on pay, retroactive or prospective. To the extent practicable, special purpose ratings, like end-of-year ratings, are subject to the same pay pool panel process as are end-of-year ratings. A consistent approach in performance assessment and employee ratings is critical to the credibility and transparency of the pay-for-performance system.

SC1940.AP4.2.2. At a minimum, the pay pool panel must be convened and consider the appropriateness and validity of the special purpose rating.